

<b>MANAGEMENT BULLETIN</b> <b>NUTRITION SERVICES DIVISION</b>		<b>No. 02-109</b> <b>02-207</b> <b>02-712</b>
<b>TO:</b>	School Nutrition Program Sponsors Child and Adult Care Food Program Sponsors Summer Food Service Program Sponsors	<b>ISSUE DATE:</b> May 2002
<b>ATTENTION:</b>	Food Program Directors	
<b>SUBJECT:</b>	Late Payment Charges and Allowable Costs to Child Nutrition Accounts	
<b>REFERENCES:</b>	United States Department of Agriculture School Programs Policy Memo 02-05; CACFP Policy Memo 02-03; and SFSP Policy Memo 02-02	

This Management Bulletin (MB) provides the United States Department of Agriculture's (USDA) policy regarding "Late Payment Charges;" whether these charges create prohibited "cost plus percentage of cost" contracts; and if these charges are prohibited from being paid for with child nutrition funds or accounts.

The "cost plus percentage of cost" contract means that a vendor or service provider quotes you a cost and adds on their fee as a percentage of those costs. This type of contract is prohibited. You must base contracts on a fee upon which both parties agree and not on your program's participation or reimbursement amount. This requirement affects all Child Nutrition Program (CNP) sponsors, including schools, public entities, and private agencies.

Late payment charges do not create a "cost plus percentage of cost" contract. They do, however, represent unallowable costs as defined in Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local and Tribal Governments, (Attachment B, 7) and OBM Circular A-122, Cost Principles for Non-Profit Organizations, (Attachment B, 3).

**Therefore, CNP sponsors who accrue late payment charges may not apply these costs to their nonprofit CNP accounts.** Late payments are prohibited expenditures from federal and non-federal CNP accounts. CNP sponsors must use other funds to pay late charges.

The USDA has directed us to take appropriate action if we find noncompliance to this policy during a coordinated review effort (CRE) or technical assistance visit.

If you have any questions, please contact your Nutrition Services Division Representative, the Field Services Unit at (916) 445-0850 or (800) 952-5609, or Christine Kavooras, Program Analyst, at (916) 322-3609 or ckavoora@cde.ca.gov.

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